The Robert Wood Johnson Foundation
Partnership for Long-Term Care
University of Maryland Center on Aging
UM CA

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Statement of
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Testimony before the Senate Special Committee on Aging
Hearing titled:

"Medicaid Crisis: Could Long Term Care Partnerships Be Part of the Solutions?"
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Mr. Chairman and members of the Special Committee on Aging, my name is Mark Meiners. I am a professor at the University of Maryland where I specialize in the economics of aging and health as it relates to public policy. As part of my duties I have helped the Robert Wood Johnson Foundation develop and direct several state programs designed to improve our Nation's long-term care financing and delivery systems. This is fascinating yet frustrating work and we need your help to succeed.

Today I want to focus on a program I have been working on for many years - the Partnership for Long-Term Care. This work began over 17 years ago when I was a Federal employee with the U.S. Department of Health and Human Services. It is the second major phase of my research and program development efforts on LTC insurance. Earlier (1980) I had developed the research support for the idea that long-term care was an insurable event which subsequently helped launch the current long-term care insurance industry and put this topic onto the National health policy agenda. The Partnership Program follows on this work and is intended to help assure that long-term care insurance is an option available to people with middle and modest income and assets. Only then can we feel comfortable that long-term care insurance is reaching its potential as an effective piece of the long-term care financing puzzle and an efficient strategy for dealing with the crisis in Medicaid.

The Partnership for Long-Term Care is an excellent case study of the creativity and perseverance states have demonstrated in carrying out their long-term care responsibilities in the face of great barriers. It is the barriers with which we need your help. Today I will serve as a historian in addition to providing an academic and advocate's perspective to justify that support.

Formal Statement:

Over the past few years the health policy debate has focused on Medicare and how to handle prescription drugs; especially how to deal with the fact that many state Medicaid programs already pay significant drug costs for those who are eligible for both programs. The importance of insurance covering prescription drugs aside, states are desperate for fiscal relief and programmatic help in dealing with the growing burden of long-term care on Medicaid. As we go forward in preparing for an aging population's health care financing needs we must now ask --- what about long-term care (LTC)?

LTC has long been the stepchild in our periodic flirtations with health care reform, playing a weak "third fiddle" to concerns about the uninsured and catastrophic expenditures on prescription drugs. The states have been left to struggle with the issue of long-term financing as part of their responsibilities in funding and administering the means-tested Medicaid program.

LTC is a major cause of catastrophic expenditures for seniors and it involves many of the same challenges faced in the Medicare reform / prescription drug benefit debate. Means testing vs. universal coverage. Private market insurance vs. government run insurance. Federal vs. state responsibilities. Uninsured vs. underinsured. Fortunately with LTC there is a model insurance program working in four states (CA, CN, IN, and NY) that has already begun to successfully take on these challenges. It is fiscally conservative, helps middle-income people avoid impoverishment, serves as an alternative to Medicaid estate planning, promotes better quality insurance products, supports consumer protection efforts, enhances public awareness regarding long-term care needs and options, and helps maintain public support for the Medicaid program.

The Partnership for Long-Term Care is collaboration between state governments and private insurers designed to provide a unique incentive that allows people to purchase a state-certified private LTC insurance policy to get help from Medicaid without first having to be impoverished. It achieves several objectives. Medicaid dollars are saved because LTC needs will increasingly be met by the private sector as people better prepare for this risk. It promotes greater self-reliance rather than relying on a government entitlement. It assists expansion of the LTC insurance market, something obviously needed in anticipation of the pending demographic shift.

Normally when a long-term care insurance policy runs out, policyholders risk having to spend virtually all their savings before qualifying for Medicaid. In contrast, when a Partnership policy is exhausted, the policyholder is eligible for coverage under Medicaid without having to deplete all their savings. The basic message of the Partnership emphasizes product quality -- everyone should have some coverage, if necessary, trading lifetime less comprehensive coverage for shorter high quality benefits -- and then be able to access Medicaid's benefits without being impoverished if those benefits are not enough.

It is an important message. A new index recently released indicates that 85 percent of Americans over age 45 (82 million people) have neither public nor private insurance coverage for LTC. There is clearly much to be done. The same index research suggests that 16 percent of those 65 and older who are at suitable income levels now have private LTC insurance. We should seek to at least double this rate of coverage over the next ten years. To do this it is especially important for middle income families to have affordable insurance since they represent the largest segment of the population and are most at risk of ending up impoverished and on Medicaid if they need LTC and have not prepared financially for that risk.

The special strength of the Partnership LTC insurance is that it makes purchases of insurance covering the equivalent of 1 to 3 years of benefits (e.g., anywhere from about $50,000 to $300,000 depending on the location) more meaningful by those in the middle to modest income group. Without the special asset protection, shorter, more affordable, coverage (when it exits at all) can still leave the purchaser at risk of impoverishment from catastrophic expenses. Faced with this possibility, people too often go without long-term care insurance, even though they need and could afford some protection.

Each of the four Partnership states have somewhat different nuances to their programs which makes for more work than the private insurance industry prefers but the major barrier to expanding this program to more states has been restrictive legislative language introduced by Congress in 1993 that limits the extent of the asset protection incentive. As many as 14 states had passed enabling legislation to create programs modeled on the Partnership but all these efforts were effectively stifled after "OBRA '93." Under this legislation new Partnership states are required to recover any remaining protected assets from the beneficiary's estate upon death, thereby negating family protection considerations as one of the key reasons for buying this type of insurance. To remedy this situation Congressman Peterson (PA) and Congressman Pomery (ND) have recently introduced H.R. 1406 to remove the restrictive legislative language so additional states can enter into LTC Partnerships. The Long-Term Care Partnership Act (S. 2077) introduced by Senator Craig (ID) and Senator Bayh (IN) supports this same effort to give the states the right to develop LTC Partnership Programs like those already in existence for more than 10 years in other states.

The Partnership is designed to balance the public interest with the need for a strong private market. It has weathered initial opposition from social insurance advocates like AARP but there is insurance industry hesitance about a program that is only operating in a few states. This creates a classic "catch 22" situation. Without insurers helping to push Congress for the repeal of the OBRA '93 restrictions, it may be difficult to stimulate the multi-state interest necessary to justify the commitment of resources by insurers to help the Partnership expand to meet its potential. Recognizing this problem the National Governor's Association (NGA) has called for elimination of federal barriers to public/private insurance partnerships. The NGA understands that states need and want the opportunity to explore options like the Partnership because they are faced with significant budget concerns about their Medicaid long-term care responsibilities. The National Association of Health Underwriters has also been a strong advocate for the removal of the OBRA restrictions. Insurance agents understand that long-term care is a issue of great important to their local communities and a critical piece of any solid approach to retirement planning for people of all walks of life.

The Partnership is now at the stage where refinements are being made to increase its market impact. Revisions of the Partnership and non-Partnership policies to make them more compatible have already helped broaden the market. Continuing such efforts will be important as new generations of insurance products emerge on the market. Because state by state development is costly, the idea of a uniform national partnership has also prompted discussions among the states and the insurers who have been most active in the current Partnership effort. There remains a large untapped market of middle- and modest-income people who need help in preparing to pay for LTC. The Partnership for Long-Term Care offers real world experience upon which to build an affordable way for states to offer this needed help.

The Partnership for Long-Term Care has enjoyed more than ten years of persistent, patient, support from states, insurers, agents, consumers, and the Robert Wood Johnson Foundation – the kind of support that comes when there is agreement that the problem needs to be solved, the program is promising, and everyone's collaboration is needed. The Partnership is now at the stage where refinements are being made to increase its market impact. Continuing such efforts will be important as new generations of insurance products emerge on the market. Overturning the OBRA '93 restrictions should be a no-brainer for Congress.